

## MANAGEMENT OF CHANGES WITH THE IMPLEMENTATION OF THE CONCEPT - BALANCED SCORECARD

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### **Abstract:**

We all face changes every day, whether we like them or not. We are sometimes aware of the occurrence of changes, but we often become aware of the changes when they occur. Some changes we can control, in some we cause them, while in those we cannot control them, so we leave. Some of us in change see it as harassment and the opportunity to emerge victorious from that situation while others fear anything that would change their habits. It is similar with organizations. They are managed by the people and the attitude of the organization towards the changes will depend on how the managers react to the changes. Some will ignore the changes, some will cause them themselves, or some will attempt to exist in conditions of permanent change. But, the only thing we can be assured is that change always happens and will not be interrupted to happen just because we ignore it and for that we are forced to conclude that only change is important. What is important for the environment in contemporary management is to increase the degree of change in all its segments, in general and specificity. The changes that occur cause the environment to be very dynamic, interactive with many factors that bring suddenness and risks. Success in achieving change contains a large amount of energy expended by employees focused on finding and realizing the best way to influence change and to create the greatest benefit for the organization. This task is not so easy knowing the fact that people are reserved to the large number of changes, especially those for whom the target is not known, is unclear or dubious and dangerous to self-existence. Resistance to change increases with years of experience and with the increase of bureaucratic relations, thus with the aging of the organization. The responsibility of the manager for the correct presentation of ideas and visions is even greater and requires from this category of people high ethical and intellectual skills, requires a complete content person who knows what he wants, can and does, has high respect to collaborators, high communication skills and creating a climate of trust between employees, consumers and entrepreneurs.

**Keywords:** Change management, Organization, ideas, knowledge, motivation, financial perspective.

### **Change management.**

What is the difference? Should change be the task of every individual and organization in which he operates? How to get organized? How to make changes? How to influence them? How do we determine if change is good? These are some of the many questions that many authors answer.

In changing and accelerating change in society, the first has the market Alvin Tofler (A.T). A writer who has written about the future since the early 1970s, he has shown major changes in human society and the need to prepare the organization for change in order to escape the stress of the future, which is to ignore change and stagnation in development.

In the broadest sense by change we mean the transition from a (existing) state to a new state (if working for the individual, the organization or for society as a whole). Any organizational

change is a change of organizational status between two-time intervals while the process of organizational change is where that change is caused. Change is an essential event that consists of many factors (environment, management, knowledge, desire for change, resistance to change, motivation, risk, etc.). This process is neither easy nor quick but also so simple that it would be necessary to make decisions, time, and initiative for changes to be realized, for new solutions to start functioning, to be maintained and to be brought to new quality. The operation of the new solution is only a transitional stage towards further changes.

They also exist in so-called in passing changes which are also called innovations. Innovations (in this respect) are smaller changes in volume. Although it is difficult to set boundaries as to when innovation crosses the line of importance which determines that change can be talked about, there are certain differences between these phenomena. Peter Drucker thinks that joining innovations in traditional organizations is not successful. The organization must create a generator of change that requires organizational avoidance of issues that have been shown to be outdated, as well as continual advancement of all products, services and processes within the organization. This requires the exploitation of success especially unpredictable, unplanned and systematic innovations. The goal of turning the organization as a whole into a sales agenda is to change one's own mental community. Instead of seeing change as a threat, employees should start to experience it as a desirable opportunity. (P.D)

The process of developing change is unique to each organization because the conditions in which they take place are unique. It follows that there is no general rule for making changes but they can only be made in accordance with the requirements of the organization and in the specific conditions in which they are created.

### **The theory of classification of organizational change**

Will start from organizational change itself as a basic object of research. An author has long said that organizational theory is a different theory of organizational actions. The theory of organizational change can be divided into certain groups which types of organizational change are placed in the focus of interest itself. To achieve this, organizational change must first be classified.

Organizational change is a complex and multi-dimensional phenomenon. Every organizational change contains in different processes actions and events. After that organizational changes can be viewed from many angles and perspectives.

Organizational development represents the type of change that is created as a result of internal processes and changes in the organization. Their main driver is not the changes in the environment but the ideas, knowledge, motivation and initiative of people within the organization itself. When organizational change is viewed from an organizational development angle, the focus is on the natural processes of uplifting and developing people in the organization. According to this perspective, changes in the organization occur when the organization is forced to adapt to the environment, but then the number of knowledgeable employees, ideas or interpersonal relationships of people within the organization have changes that require changes in both the organization itself. The main driver of change is not external

tasks but internal needs: Creativity and the need for reach of people in the organization. The goal of change is not the realization of direct performance but is the creation of the highest level of competencies in the organization. In this type of change management and organizational plans have a significantly higher role and degree of discretion than to appropriate changes.

Deep or secondary changes represent the fundamental changes of the components of the organization, for that they represent cultural changes of the organization and as such drop a high degree of innovation in their functioning.

According to the criterion of the breadth of variation we distinguish narrow and varied wide variations. Narrow changes are changes of some parts or components of the organization, while wide changes are changes of most or all parts of the organization's components. The breadth and depth of the changes are directly related and leave consequences. Radical changes are by nature broad. Under the third criterion of the character of the change process is the speed or intensity of the changes. Organizational changes among themselves differ according to the intensity of the changes made to the unit of time, i.e. according to the speed of change. According to this criterion, there are slow speeds with low intensity of changes as well as accelerated speeds with high intensity.

The three characteristics of the change process (depth, breadth and speed) can be related and considered together. The depth and breadth of change are related: Radical change is evenly and comprehensively. When the dimension of velocity intensity is added to it, we can distinguish between continuous and intermittent changes. When the organization changes through continuous change it appears in the form of change through the presentation of long, short, narrow events that occur over a long period of time. In that case the organization changes uninterruptedly: it experiences daily changes. Interrupted changes are more radical, more comprehensive, with higher intensity, and occur at shorter time intervals. The organization for a long time remains stable and does not undergo any changes that then in a very short time interval undergoes immediate and radical changes as well as rapid.

The third essential criterion for classifying organizational changes is their implementation. This criterion starts from the question: what in the organization changes. The organization as an object of organizational change is multidimensional and can be viewed from many different angles. It is therefore possible to classify organizational changes in different ways according to content criteria.

According to one opinion, the organization can be divided into components according to two basic criteria. The first criterion starts from the content of the components and according to them the organization is differentiated into formal (strong) components and on the other hand informal (soft). The second criterion which can be used to differentiate the content of the organization as an object of organizational change, is the inclusion of static and dynamic components of the organization. Static components are the state of the organization, be they formal or informal as it includes content. Dynamic components of the organization are formal and informal processes as it includes the parameters of the organization.

The theory of organizational change is often classified according to the different types of these changes where these theories focus on their own research. According to the target of changes, developmental and appropriate changes are distinguished. The theory of organizational change can also be divided into those that focus on adaptive and developmental change. The theory of developmental change includes the development and life cycle of the organization. The theory of change adaptation includes all other changes: transformations, stagnation reductions, and organizational changes and turns.

According to the content criterion, there are theories that explore changes in organizational design and behaviour as well as those that explore changes in business processes.

To simplify the coverage of areas for organizational change all the theories included in it can be grouped into several perspectives. Perspective of magnifying coverage for organizational change by giving a general overview of change that is easily and quickly implied. As a basis for identifying theoretical perspectives for organizational change will be reflected their classification based on the characteristics of organizational change:

1. Organizational development perspective.
2. The perspective of organizational adaptation.
3. Perspective of organizational transformations.
4. Perspective of the process.

The realization of strategic changes in a limited time enables synergy in action, narrows the space in resistances and changes and very easily have continuous reinforcements which are carriers of change. All this reduces the risk of the time when the changes are realized in the period of limited time for the organization to establish balance with the environment as soon as possible.

### **Transformation and failure**

The changes that have engulfed human society are great and unstoppable, as Kotter says. Strong macroeconomic forces are at work here and those forces are more intense in the last few days. As a result, there will be more and more organization which will be forced to reduce costs, improve the quality of production and service, and find new opportunities to increase productivity.

Kotter with his collaborators has researched how changes take place in some American companies and has conclude that numerous mistakes when making changes. In his book "Leadership with Change" he has pointed out eight mistakes that leadership most often makes when making changes in the organization. (J.K)

1. Giving in to excessive complacency - the biggest mistake that leaders make when making changes in the organization is the quick and unexpected process of appropriating changes where before that it was not proven to co-workers and employees that it is the sense of speed needed for change. This mistake is often fatal as with the change the desired goal will never be

achieved if the level of self-satisfaction of the leaders is too high. Leaders have no success in creating awareness of the speed of change for several interrelated reasons.

2. Omissions in forming a sufficient coalition for strong leadership - it is often said that major changes cannot be achieved without the support of the one in charge of the organization. While in successful organizations in the establishment of change have participated the highest level such as managers and heads of units as they are a strong coalition in terms of education, professionalization of contacts, reputation and leadership capacity.

3. Underestimating the power of vision - is the awareness of the needs for change and a strong team that will lead the changes that are important and not enough for big changes.

4. Failure to communicate vision - putting in big changes is almost impossible if most employees are not willing to help, but also sacrifice in the success of change. Employees will not sacrifice if they do not see the benefit of the change or do not believe that change is possible. The only way to get the employee to notice is through persuasive communication.

5. Allowing obstacles to block the new vision - bringing about big change requires the active participation of the largest number of employees. Putting innovations is often unsuccessful, even when employees have embraced the vision, as they feel incapable of major setbacks.

6. Failures in achieving short-term success - making big changes takes time, in complex actions, such as changing the strategy, which require a lot of time, can lead to loss of momentum of change if there are no short-term goals that will realize.

7. Announcing premature victory - employees working to bring about change come to the spores to announce successful change at the first sign of success. Always when changes do not deepen in the culture of the organization, for which it takes three to ten years, new approaches are helpful and subject to regression.

8. Changes that are not firmly planted in the culture of the organization - changes can be maintained where they can be created by daily work. Until the new way of working does not conform to the norms of the organization in common values and way of thinking, it is necessarily subject to degradation. To deepen the new way of working in the organization, employees must be shown their specific behaviors and attitudes that have contributed to the success, as well as the time needed for the new generations of managers to adopt new approaches.

**After the appearance of eight errors, the following consequences appear:**

New strategies are not implemented well, Activities are not implemented in the right synergy, Reengineering takes a long time and raises the cost price, we do not have access to minimum cost control, adjusted programs on setting up quality do not bring the desired results.

Kotler talks about the fact that the improvement of the organization's performance enhancer is possible if we know how to lead it correctly and if we manage to avoid simple mistakes in presenting them. The eight stages of change leadership that Kotter proposes are related to the

eight previously described mistakes that most often occur when leading change. The process of implementing radical changes is presented in these phases:

Raising awareness of the necessity of change, creating a leadership coalition, shaping the vision and strategy, communicating vision changes, independence of work for comprehensive actions, realization of short-term successes, consolidation of realized advantages for change new approaches to culture.

Kotter's model for eight-phase change management has stood the test of time and has had a significant impact on management theory. Many consultants and leaders think that this is a very important model and has helped you to be able to orient yourself through the leadership of those stages. There are also many features of Kotter's model, while the real application of the success factor highlighted in this model can contribute to avoiding pitfalls and significantly increasing the likelihood of success in change.

### **Balanced Scorecard (BSC) as a measurement system.**

Professor Robert Kaplan of Harvard Business School and David Norton as founder of the Balances Scorecard Collaborative and director of the Palladium Group with joint research from 1990 to the present have concluded how contemporary enterprises can advance in business emphasizing that organizations have well-formulated strategies, but 7 out of 10 organizations do not succeed in implementing it. The main reason is the lack of an appropriate instrument for the implementation of the strategy. Their collaboration in the project: "Measuring the performance of the organization in the future" of 1990 that involved 12 companies and resulted in the creation of the BSC concept.

The BSC links measurement to the organization's strategic plan. The BSC concept emphasizes that it is very important to select measurements that are based on strategic successes instead of improving the performance of existing successes so we need to focus on those work processes that need to be performed particularly well for the strategy to be successfully realized.

With the development of the BSC concept came the combination of financial and non-financial measurements created by the organization's strategy. The creators of the measurement realization for the result of the organization should be in direct connection. BSC now presents a widespread strategic management system, not only in the profitable but also in the non-profit ones of the public sector.

The BSC enables managers to look at business from four key perspectives. By implementing this concept, senior management receives information on these four points of perspective and at the same time reduces the possibility of redundant information by defining the number of measurements. Perspective presents the three essential interest groups for shareholders, consumers and finally for the employees in the organization. (K.N) Kaplan and Norton most control systems are based on financial units and short-term goals, which have little to do with organizational development and the long-term realization of strategic goals. In this way the chasm space is created between the development of the strategy and its implementation.

Utilizing the BSC concept improves the link between long-term development and current job offerings according to four emphasized perspectives.

Kaplan and Norton have invented the system of setting the vision and strategies in the organization, according to the four perspectives of vision, setting according to goals, measures, goals and actions. The BSC concept means that financial and non-financial measurements must necessarily be part of the information system for employees as well as for all levels in the organization.

Formulating performance targets and measures from a financial and non-financial perspective is not something simple and rare. Most successful organizations, even before the introduction of the BSC, have formulated performance targets and measures on various bases in order to provide technical control for short-term operations. However, such systems of performance measures have not been balanced, which is why the BSC ensures this balance based on three principles:

- Balancing between external measures involving shareholders and consumers to internal measures involving business processes for learning and development.

Balancing between measures of success, as a result of past actions against future performance measures. Balancing between objective measures of success, easy for quantitative and subjective measurements against those qualitative measures of performance. But Kaplan and Norton well note that the BSC method is more than a tactical and operational measurement system for performance. Innovative organizations use the BSC method as a strategic management system.

### **Financial perspective.**

Creating value for shareholders is the flow that every strategy of the organization should achieve. The organization is competitive if its work creates greater value for its shareholders compared to potential investments. Financial targets serve as the focus for targets and measures in other perspectives of the BSC method. All measures must be interrelated due to the consequence that it then leads to better financial realization. In other words, financial targets and measures have a dual role as they define the realization that is expected from the strategy and service as the target value for the measures and targets of other BSC methods. Among organizations it usually shows an overall long-term indicator of success. Earlier they were Du Pont's preliminary version of Return on Investment (ROI). Today organizations are mainly exploited to a degree of value-based leadership such as added economic value, investment contributions and permanent cash changes. The revenue growth strategy focuses on developing new sources of revenue and increasing productivity (rate of return on sales revenue) and has two components.

- Building a franchise which includes the development of new sources of revenue from new markets, new products or new customers.

- Increasing values for customers that lead us to increase sales to existing customers thanks to the best behaviour with them, offer concrete solutions to meet customer needs.

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